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Analysis of Determining Production Cost by Comparing Full Costing Method with Activity-Based Costing Method at UD. Ria Boga

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ABSTRAK

RIA BOGA is one of the UMKM or Home Industries from Ponorogo Regency, engaged in the food sector, particularly in producing bread and cakes. Some of the products from UD. RIA BOGA include Bakpia Telo Ungu and Bolu. In determining the cost of production, UD. RIA BOGA still employs a simple calculation method and does not consider all production cost elements in its cost calculations. Consequently, this leads to confusion in the financial system of the business. This research aims to determine the appropriate method for calculating the cost of production at UD. Ria Boga. The results of this study show that the calculation of the cost of production using the full costing method in 2022 for the Bolu product is Rp 6,460.00, and for Bakpia Telo Ungu is Rp 9,837.00. Meanwhile, in 2022, the cost for the Bolu product is Rp 6,837.00, and for Bakpia Telo Ungu is Rp 8,804.00. The calculation using the Activity Based Costing method in 2021 for the Bolu product resulted in a production cost of Rp 6,309.00, while for Bakpia Telo, it was Rp 12,751.00. In 2022, the Bolu product had a production cost of Rp 6,637.00, and Bakpia Telo Ungu was Rp 11,662.00. The Activity Based Costing calculation considers the expenditure of each overhead cost on the product according to the consumption of each product activity, resulting in more accurate results.

Keywords: Production Cost, Full Costing method, Activity Based Costing method

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INTRODUCTION

UD. Ria Boga is one of the UMKM or Home Industries from Ponorogo Regency, specializing in the food sector, particularly in producing bread and cakes. UD. RIA BOGA has been pioneering its business since the year 2000 until the present. Among the frequently produced products by UD. RIA BOGA are Bakpia Telo Ungu and Bolu. The predetermined production costs for UD. RIA BOGA's products are Rp 7,313.00 for Bolu and Rp 11,641.00 for Bakpia. In determining these production costs, UD. RIA BOGA still employs a simple calculation method and does not consider all production cost elements. Additionally, UD. RIA BOGA needs to record its finances regularly, leading to inaccuracies in the financial system and disruptions in financial turnover. UD. RIA BOGA aims to enhance the company's economic efficiency to ensure the financial system's stability and improve productivity.

The relevant research is a previous study that has been conducted and is considered sufficiently related to or connected with the title and topic to be investigated. It helps revisit research on the same subject. There are several previous research findings related to the study conducted by the researcher, namely "*Analisis Penentuan Harga Pokok Produksi Usaha Mikro Dengan Menggunakan Metode Activity Based Costing (Studi Kasus pada Usaha Tahu dan Tempe Gunung Sari Di Kota Poso)"* (Fidya Puji Mahardika, Kisman Lantang, 2021). The purpose of this research is to determine the calculation of production cost using traditional and activity based costing methods. Additionally, it aims to compare the analysis of the cost of

production using traditional methods with those using the activity-based costing method on Tofu and Tempe in Gunung Sari business. The methods used are the Traditional Method and the Activity-Based Costing Method. The results of this research show that the calculation of the cost of production for Gunung Sari tofu using the traditional method is Rp2,594.17/unit while using the activity-based costing method, it is Rp2,660.31/unit. The calculation of the cost of production for Gunung Sari tempe using the traditional method is Rp834.05/unit, whereas using the activity-based costing method, it is Rp813.87/unit. Therefore, using the activity-based costing method in calculating the cost of production is considered more appropriate because it allocates factory overhead costs according to cost triggers.

The full costing method is a method of determining production costs that consider all production cost elements into the cost of production, including raw material costs, direct labor costs, and factory overhead costs, both variable and fixed. Thus, the production cost according to the full costing method consists of the following production cost elements:

Material input cost	xxx
Direct labor cost	xxx
Fix factory *overhead* cost	xxx
Production cost	xxx

The cost of products calculated using the full costing approach consists of the elements of production cost (material input costs, direct labor costs, and fixed factory overhead costs) plus non-production costs (marketing costs, administrative costs, and general costs) (Mulyadi, 2016:17-18).

The Activity Based Costing (ABC) method is a cost accounting method where the allocation of the cost of goods is the sum of all costs of activities that produce goods or services. Activities or transactions that cause the production costs of goods or services are called Cost Drivers. Thus, ABC is defined as a method of measuring products or services based on the accumulation of expenses from activities related to producing or providing those goods or services. Activity based costing method aims to allocate production costs based on the activities performed and then allocate those costs based on their actions (Witjaksono, 2013).

The steps taken to calculate costs based on activities in determining the cost price are as follows:

1. Identify costs based on activities and determine cost groups based on activity levels.

   The first step in the ABC system's first-stage procedure is to categorize various activities. Different activities are classified into several activity groups with clear and easily defined physical relationships, with four categories: Unit level, Batch level, Product level, and Facility level.
2. Determine the Appropriate Cost Driver.

   The next step is to identify the cost driver for each cost. This identification will be used to determine the rate per unit cost driver.
3. Group Homogeneous Costs.

   Homogeneous cost groups are a collection of overhead costs whose variations can be explained by a single causal factor (cost driver). To determine homogeneous cost groups, you can look at costs with the same product consumption ratio. The formation of homogeneous cost pools is intended to streamline the creation of cost pools that are too numerous because activities with related cost drivers can be included in a cost pool using one selected cost driver.
4. Determine the Group Rate (pool rate).

   The group rate (pool rate) is the overhead cost rate per unit of the cost driver calculated for a group of activities. This group rate is calculated using the following formula:

   $$\text{pool rate} = \frac{BOP\ Kelompok\ Aktivitas\ Tertentu}{sumber\ biaya}$$

5. Allocation of Group Rates Based on Cost Drivers

The allocation of costs to products using pool rates involves multiplying the group rate by the units of cost drivers used. In the second stage, activity costs are allocated to products based on each product's consumption or activity demand. So, in this stage, the costs of the pool and the size of the resources consumed by each product are considered. The group rate simplifies the quantity of cost drivers used by each product. Therefore, the overhead allocated from each cost group to each product is calculated using the formula:

BOP allocated = Group Rate x Quantity of Consumption for Each Product

METHOD

This research falls under field research. Field research is a method used to obtain data from the provider directly. The required data for this study are as follows:

a. Material input cost
b. Direct labor cost
c. Factory *Overhead* cost
d. The cost production that UD. Ria Boga applies

In collecting the data, the researcher used data collection methods. The data collection methods employed were:

1. Interview
   The author obtained the required data for this research through direct interviews with the owner of UD. Ria Boga to understand the production process and gather relevant data for the study.
2. Documentation
   Documentation is a record of past events; these records can take the form of writing, images, or other monumental works (Sugiono, 2010:240). In this research, the researcher collected data from the business owner by recording documents and data related to the issues under investigation.

Data Processing Techniques and Data Analysis

In achieving the research objectives, the author employed the following research methods:

1. Determining the Cost of Production in the Full Costing Method

Full costing is a method that determines the cost of production by considering all production cost elements, including material input costs, direct labor costs, and factory overhead costs. The analysis steps are as follows:

1) Calculating material input costs
   Calculating the cost of materials input used in the production process.
2) Calculating direct labor costs
   Calculating the wages of workers directly involved in the production process
3) Calculating Factory Overhead Costs (FOH)
   Calculating other production costs that are not easily identified or directly attributed to a production process.
4) Summing up all costs and dividing by the quantity of products produced will yield the cost of production.

2. Determining the Cost of Production in the Activity Based Costing Method

Activity Based Costing is a method that measures the cost of a product or service based on the accumulation of costs related to the activities associated with the production or provision of that product or service. The steps of the analysis are as follows:

1) Calculate the cost of input materials: Calculate the cost of input materials used to process the product.
2) Calculate the cost of direct labor: Calculate the wages of workers directly involved in the production process.
3) Identify costs based on activities and determine cost groups based on activity levels.
4) Determine the appropriate Cost Drive
5) Grouping homogeneous cost
6) Determine the pool rate
   pool rate $= \frac{BOP\ Kelompok\ Aktivitas\ Tertentu}{sumber\ biaya}$
7) Allocation of Group Rates Based on Cost Driver
   BOP allocated = Group rate x the quantity consumed for each product
8) *Calculating the Cost of Production Using the Activity Based Costing Method*
   Summing up all costs (input materials, direct labor, and allocated overhead) and dividing by the number of products produced will yield the cost of production

After data processing is completed, the next step is data analysis. The results of this analysis will determine which method UD. RIA BOGA will be used to establish the appropriate cost of production.

RESULT AND DISCUSSION

Before conducting calculations using the Full Costing and Activity Based Costing methods, it is necessary to identify the costs that need to be prepared for these calculations.:

1. Input Material Cost

Tabel 4.1.1 Input Material Requirement for Bolu Cake

Bolu 2021			
Direct Input Materials	**Quantity (kg)**	**Price (Rp)**	**Total (Rp)**
Eggs	3.000	27.000	81.000.000
Wheat Flours	3.750	7.600	28.500.000
Sugars	3.000	11.500	34.500.000
Emulsifior	150	70.000	10.500.000
Total			**154.500.000**
Bolu 2022			
Direct Input Materials	**Quantity (kg)**	**Price (Rp)**	**Total (Rp)**
Eggs	3.360	28.000	94.080.000
Wheat Flours	4.200	9.200	38.640.000
Sugars	3.360	12.500	42.000.000
Emulsifior	168	72.000	12.096.000
Total			**186.816.000**

Tabel 4.1.2 Input Material Requirement for Bakpia Telo Ungu

Bakpia Telo Ungu 2021			
Direct Input Materials	**Quantity (kg)**	**Price (Rp)**	**Total (Rp)**
Telo Ungu	504	3.500	1.764.000
Margarine	72	16.000	1.152.000

Sugars	165,6	11.500	1.904.400
Rice Flours	28,8	8.000	230.400
Glutinous Rice Flours	28,8	9.000	259.200
Wheat Flours	201,6	8.500	1.713.600
White Butters	576	6.000	3.456.000
Total			**10.479.600**
Bakpia Telo Ungu tahun 2022			
Direct input materials	**Quantity (kg)**	**Price (Rp)**	**Total (Rp)**
Telo Ungu	672	3.500	2.352.000
Margarine	153,6	16.000	2.457.600
Sugars	220,8	12.500	2.760.000
Rice Flours	28,8	16.000	460.800
Glutinous Rice Flours	28,8	18.000	518.400
Wheat Flours	268,8	10.000	2.688.000
White Butters	76,8	6.000	460.800
Total			**11.697.600**

2. Direct Labor Cost

There are 4 direct laborers involved in product production at UD. RIA BOGA. The following are the direct labor costs at UD. RIA BOGA:

Tabel 4.1.3 Table of Direct Labor Cost

Bolu				
No	**Labors**	**Quantity (Person)**	**Wage (Rp)**	
			2021	**2022**
1	Dough Maker	1	5.000.000	5.600.000
2	Dough Molder	1	8.750.000	9.800.000
3	Dough Baker	1	8.750.000	9.800.000
4	Dough Wrapper	1	5.750.000	6.720.000
Total			**28.250.000**	**31.920.000**
Bakpia				
No	**Labors**	**Quantity (Person)**	**Wage (Rp)**	
			2021	**2022**
1	Dough Maker	1	960.000	960.000
2	Dough Molder	2	2.880.000	3.840.000
3	Dough Baker	1	960.000	1.440.000
4	Dough Wrapper	1	960.000	1.440.000
Total			**5.760.000**	**7.680.000**

3. Factory Overhead Cost

Tabel 4.1.4 Overhead Costs from Auxiliary Materials

Auxiliary Materials	2021 (Rp)	2022 (Rp)
Bolu		
Cooking Oils	3.600.000	4.200.000
Leavening Agent	7.875.000	8.820.000
Vanili	750.000	840.000
Plastic dan Sticker	24.000.000	26.880.000
Total	**36.225.000**	**40.740.000**
Bakpia		
Vanili	288.000	384.000
Milk	1.483.200	1.977.600
Eggs	116.100	153.900
Sasame Seeds	58.320	77.760
Box and Plastics	5.702.400	7.603.200
Total	**7.648.020**	**10.196.460**

Tabel 4.1.5 Factory Overhead Cost

Overhead cost of other factories	2021 (Rp)	2022 (Rp)
Non-direct Labor	15.000.000	16.700.000
Electricity Cost	2.310.000	2.400.000
Fuel Cost	9.000.288	10.082.384
Machine Depreciation Cost	973.333	973.333
Machine Maintenance Cost	400.000	50.000
Total	**27.683.621**	**30.205.717**

The other factory overhead costs are shared expenses; therefore, allocation to each product can be calculated by dividing the total additional overhead costs by the overall quantity of products (2021 Bolu= 37.500, Bakpia = 2.592. 2022 Bolu= 42.000, Bakpia = 3.456)

Single-unit product rate of 2021 = 27.683.621 / 44.592 = 621

Single-unit product rate 2022 = 30.205.717 / 45.456 = 674

Afterwards, the results are multiplied by the respective quantity of products and then added to the auxiliary materials for each product. Here are the calculation results.

Table 4.1.6 Table of the Factory Overhead Cost Allocation Calculation Results

Products	2021 (Rp)	2022 (Rp)
Bolu	621 x 37.500 + 36.225.000 = **59.512.500**	674 x 42.000 + 40.740.000 = **69.048.000**
Bakpia Telo Ungu	621 x 2.592 + 7.684.020 = **9.257.652**	674 x 3.456 + 10.196.460 = **11.806.092**

Calculation Cost of Goods Manufactured using Full Costing Method

Table 4.2.1 Cost of HPP Calculation Using Full Costing Method for Bolu Cake

Costs	Total Cost (Rp)	
	2021	2022
Input materials cost	154.500.000	186.816.000
Direct labor cost	28.250.000	31.290.000
Factory Overhead cost	59.512.500	69.048.000
Total	**242.262.500**	**287.154.000**
produk quantity	37.500	42.000
Production cost	**6.460**	**6.837**

Tabel 4.2.2 Cost of HPP Calculation Using Full Costing Method for Bakpia

Costs	Total cost (Rp)	
	2021	2022
Input Materials Cost	10.479.600	11.697.600
Direct Labor Cost	5.760.000	7.680.000
Factory Overhead Cost	9.257.652	11.048.000
Total	**25.497.652**	**30.452.600**
Produk Quantity	2.592	3.456
Production cost	**9.837**	**8.804**

Calculation of the cost of goods manufactured using the full costing method in 2022, for the bolu cake product incurring a total production cost of Rp 242,262,500.00 divided by the quantity of 37,500 packages results in a cost of goods manufactured of Rp 6,460.00. For the bakpia telo ungu product, the total production cost of Rp 25,497,652.00 divided by the quantity of 2,592 boxes results in a cost of goods manufactured of Rp 9,837.00. Meanwhile, in 2022, the bolu cake product incurred a total production cost of Rp 287,154,000.00 divided by the quantity of 42,000 packages, resulting in a cost of goods manufactured of Rp 6,837.00 and for the bakpia telo ungu product, incurring a total production cost of Rp 30,425,600.00 divided by the quantity of 3,456 boxes results in a cost of goods manufactured of Rp 8,804.00.

Calculation Cost of Goods Manufactured Using Activity Based Costing Method

a. Identifying costs based on activities and determining cost groups based on activity levels

Table 4.2.3 Cost Grouping and Activity Identification

Biaya	Level Aktivitas	
	Bolu	Bakpia
Auxiliary Materials Cost	Unit Level	Unit Level
Fuel Cost	Unit Level	Unit Level
Electricity Cost	Unit Level	Unit Level
Non-Direct Labor	Batch Level	Batch Level
Machine Depreciation Cost	Facility Level	Facility Level

Machine Maintenance Cost	Facility Level	Facility Level

b. Determining the appropriate cost driver
Cost driver is a factor that explains the consumption of overhead costs.

Tabel 4.2.4 Cost Driver Determination

Activities	Aktivitas Level	Cost Driver
Auxiliary Materials Cost	Unit Level	production unit
Fuel Cost	Unit Level	production unit
Electricity Cost	Unit Level	KWH
Non-Direct Labor	Batch Level	Working hours
Machine Depreciation Cost	Facility Level	Machine hours
Machine Maintenance Cost	Facility Level	Machine hours

The table below indicates that auxiliary material costs and fuel costs are the cost drivers in the production unit. Furthermore, for fuel costs, cost drivers (KWH), and indirect labor costs, the cost driver is working hours. As for machine depreciation and maintenance costs, the cost driver is machine hours.

c. Grouping Homogeneous Costs

Tabel 4.2.5 Homogeneous Cost Classification

Cost Classifications	Cost Pool	Cost Driver	Total Cost (Rp)	
			2021	2022
Unit Level Activities				
Auxiliary Materials Cost of Bolu	Pool 1	Production Units	36.225.000	40.740.000
Auxiliary Materials Cost of Bakpia		Production Units	7.648.020	10.196.460
Fuel Cost		Production Unit	9.000.288	10.082.384
Electricity Cost	Pool 2	KwH	2.310.000	2.400.000
Batch Level Activities				
Non-Direct Labor	Pool 3	Working Hours	15.000.000	16.700.000
Facility Level Activities				
Machine Depreciation Cost	Pool 4	Machine Hours	973.333	973.333
Machine Maintenance Cost		Machine Hours	400.000	500.000

d. Determination of Pool Rate

Tabel 4.2.6 Pool Rate

2021

Activities	***Cost Pool***	**Total *Cost Pool* (Rp)**	***Cost Driver***	***Pool Rate* (Rp)**
Auxiliary materials cost	*Pool 1*			
Fuel cost		9.000.288	44.592	202
electricity cost	*Pool 2*	2.310.000	963	2.398
Non-direct labor	*Pool 3*	15.000.000	1.500	10.000
Machine depreciation cost	*Pool 4*	1.373.333	3.311	415
Machine maintenance cost				

2022

Activities	***Cost Pool***	**Total *Cost Pool* (Rp)**	***Cost Driver***	***Pool Rate* (Rp)**
Auxiliary materials cost	*Pool 1*			
Fuel cost		10.082.384	45.456	222
electricity cost	*Pool 2*	2.400.000	1.146	2.095
Non-direct labor	*Pool 3*	16.700.000	1.550	10.774
Machine depreciation cost	*Pool 4*	1.473.333	3.908	377
Machine maintenance cost				

e. Group Allocations Cost Based One Cost Driver

Tabel 4.2.7 *Overhead cost* of Bolu in 2021

No	**Activities**	***Cost Pool***	***Pool Rate***	***Cost Driver*/ Product**	***Overhead Cost***
1	Auxiliary Materials Cost	1			36.225.000
2	Fuel Cost		202	37.500	7.568.864
3	Electricity Cost	2	2.398	650	1.558.866
4	Non-Direct Labor	3	10.000	750	7.500.000
5	Machine Depreciation Cost	4	415	2375	985.100
	Machine Maintenance Cost				
Total cost					**53.837.831**

Tabel 4.2.8 *Overhead* Cost of Bolu in 2022

No	Activities	*Cost Pool*	*Pool Rate*	*Cost Driver*/ Product	*Overhead Cost*
1	Auxiliary Materials Cost	1			40.740.000
2	Fuel Cost		222	42.000	9.315.825
3	Electricity Cost	2	2.095	728	1.525.140
4	Non-Direct Labor	3	10.774	750	8.080.645
5	Machine Depreciation Cost	4	377	2660	1.002.832
	Machine Maintenance Cost				
Total cost					**60.664.441**

Tabel 4.2.9 *Overhead* cost of Biakpia Telo Ungu in 2021

No	activities	*Cost Pool*	*Pool Rate*	*Cost Driver*/ Product	*Overhead cost*
1	Auxiliary materials cost	1			7.648.020
2	Fuel cost		202	2.592	523.160
3	electricity cost	2	2.398	313,2	751.134
4	Non-direct labor	3	10.000	750	7.500.000
5	Machine depreciation cost	4	415	936	388.233
	Machine maintenance cost				
Total cost					**16.810.547**

Tabel 4.2.10 *Overhead* Cost of Bakpia Telo Ungu in 2022

No	Activities	*Cost Pool*	*Pool Rate*	*Cost Driver*/ Product	*Overhead cost*
1	Auxiliary Materials Cost	1			10.196.460
2	Fuel Cost		222	3456	766.559
3	Electricity Cost	2	2.095	417,6	874.860
4	Non-Direct Labor	3	10.774	800	8.619.355
5	Machine Depreciation Cost	4	377	1248	470.501
	Machine Maintenance Cost				
Total cost					**20.927.736**

f. Calculating Cost of Production with Activity Based Costing Method

Table 4.2.11 Calculation of HPP using *Activity Based Costing*

No	Cost	Bolu 2021	Bolu 2022	Bakpia 2021	Bakpia 2022
1	Input Materials Cost	154.500.000	186.816.000	10.479.600	11.697.600
2	Direct Labor Cost	28.250.000	31.290.000	5.760.000	7.680.000
3	Overhead Cost	53.837.831	60.664.441	16.810.547	20.927.736
Total		**236.587.831**	**278.770.441**	**33.050.147**	**40.305.336**
HPP per unit		**6.309**	**6.637**	**12.751**	**11.662**

The calculation results using the Activity Based Costing method show that in 2021, the bolu cake product incurred a total cost of Rp 236,587,831.00, with a production cost per unit of Rp 6,309.00. Meanwhile, the bakpia telo ungu product incurred a total cost of Rp 33,050,147.00, with a production cost per unit of Rp 12,751.00.

In 2022, the bolu cake product incurred a total cost of Rp 278,770,441.00, with a production cost per unit of Rp 6,637.00. On the other hand, the bakpia telo ungu product incurred a total cost of Rp 40,305,336.00, with a production cost per unit of Rp 11,662.00.

After calculating the cost of production using both the Full Costing and Activity Based Costing methods, the production costs for each method were obtained. The calculations from both methods resulted in different production costs. The following table compares the calculation results of production costs using the Full Costing method, Activity Based Costing method, and the production costs set by UD. RIA BOGA previously.

Table 5.2.1 Comparison Cost of Production

Type of product	year	HPP UD. Ria Boga (Rp)	HPP Full Costing (Rp)	HPP Activity Based Costing (Rp)
Bolu	2021	5.892	6.460	6.309
	2022	6.230	6.837	6.637
Bakpia	2021	13.620	9.837	12.751
	2022	12.289	8.804	11.662

The calculation results for the cost of production for each method are different. For the Full Costing method in 2021, the bolu bolu cake product has a production cost of Rp 6,460.00, with a difference of Rp -569.00 from the production cost set by UD. Ria Boga. Meanwhile, the bakpia telo ungu product costs Rp 9,837.00, with a difference of Rp 3,783.00 from the production cost set by UD. Ria Boga. In 2022, the bolu cake product cost Rp 6,873.00, with a difference of Rp -607.00 from the production cost set by UD. Ria Boga. On the other hand, the bakpia telo ungu product costs Rp 8,804.00, with a difference of Rp 3,486.00 from the production cost set by UD. Ria Boga.

For the Activity Based Costing method in 2021, the bolu cake product has a production cost of Rp 6,309.00, with a difference of Rp -417.00 from the production cost set by UD. Ria Boga. Meanwhile, the bakpia telo ungu product costs Rp 12,751.00, with a difference of Rp 869.00 from the production cost set by UD. Ria Boga. In 2022, the bolu cake product costs Rp

6,637.00, with a difference of Rp -408.00 from the production cost set by UD. Ria Boga. On the other hand, the bakpia telo ungu product costs Rp 11,662.00, with a difference of Rp 627.00 from the production cost set by UD. Ria Boga.

The above comparison clearly illustrates the differences in production costs at UD. Ria Boga with the methods employed. Each method has its variances and advantages, as seen in the calculations where the Activity Based Costing method excels in the calculation for bolu cake, even though the results remain negative compared to UD. Ria Boga's previous analyses. In UD. Ria Boga's measures only consider direct costs such as input materials, labor, electricity, gas, and auxiliary materials. Meanwhile, the full costing method excels in the bakpia calculation. This is because factory overhead costs differ in each method. In the full costing method, the analysis includes all factory overhead costs (auxiliary materials, electricity, gas, depreciation, maintenance, and indirect labor). Some factory overhead costs cannot be accurately attributed to each product because they are still shared expenses. This inaccuracy is caused by the fact that the usage of machines and electricity varies for each product produced. On the other hand, the Activity Based Costing method considers the expenditure of each overhead cost according to the consumption of each product's activities, resulting in more accurate results. Therefore, the researcher chose the Activity Based Costing method as the reference for calculating the cost of production in UD.Ria Boga's products.

CONCLUSION

From the data collection and processing results, it can be concluded that each calculation method has differences and advantages. This occurs because factory overhead costs differ in each method. In the full costing method, the calculation involves including all factory overhead costs (auxiliary materials, electricity, gas, depreciation, maintenance, and indirect labor). Some factory overhead costs cannot be accurately attributed to each product because they are still shared costs. This inaccuracy is because the usage of machines and electricity varies for each product produced. On the other hand, the Activity Based Costing method considers the expenditure of each overhead cost according to the consumption of each product's activities, resulting in more accurate results. Therefore, the researcher chooses the Activity Based Costing method as the reference for calculating the cost of production in UD. Ria Boga's products.

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